ATS Automation Tooling Systems

the industry Leader

2000 ANNUAL REPORT

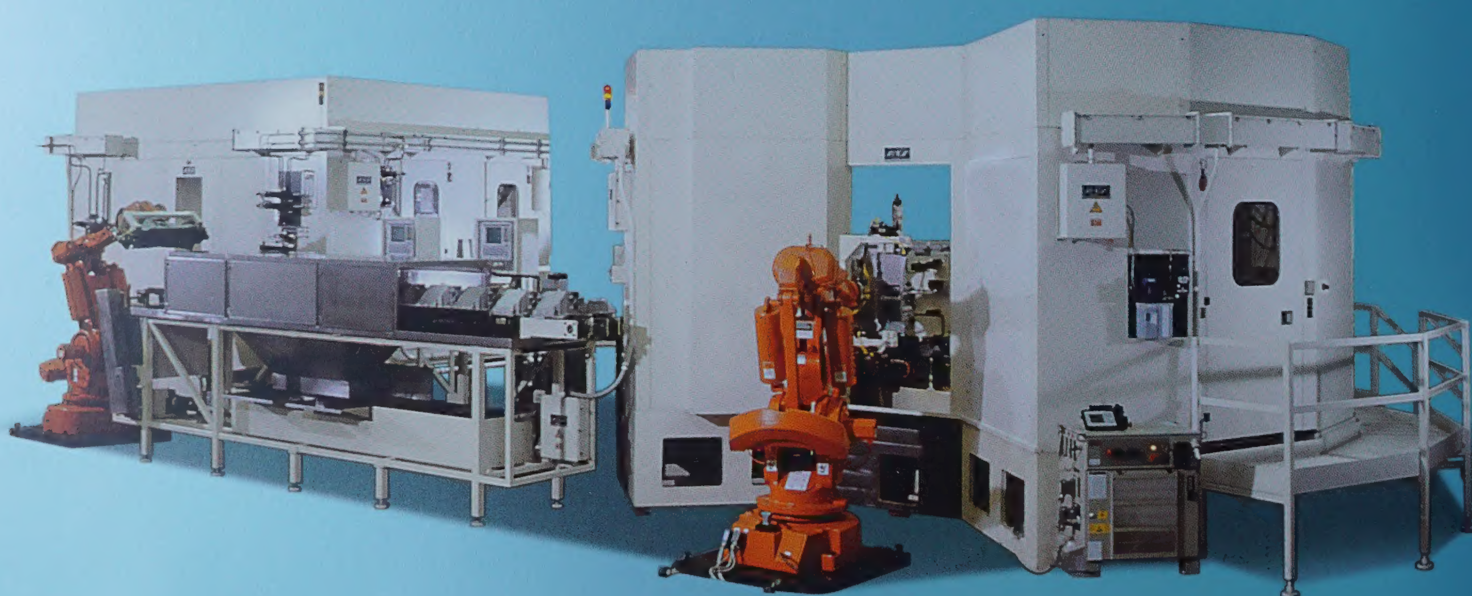
ATS leads the automation

breadth of its technical

Lea

Markets

Technologies



TOP LEFT: A fraction the size of a dime, this fibre optic component is assembled using ATS's industry-leading high accuracy placement technology.

ABOVE: Incorporating purpose built machining centres and automated material handling and assembly technology, this ATS automation system economically produces a sophisticated automotive component.

industry through the depth and capabilities and knowledge.

ding

Knowledge

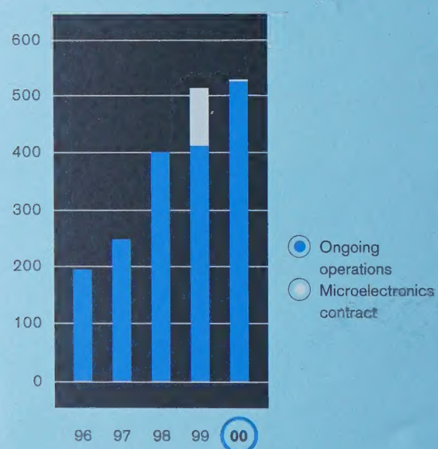
Value

ATS's industry-leading standard products such as Superbot programmable manipulators and coil winders are an integral part of this system designed and built by ATS to manufacture an audio speaker voice coil for a leading consumer electronics customer.

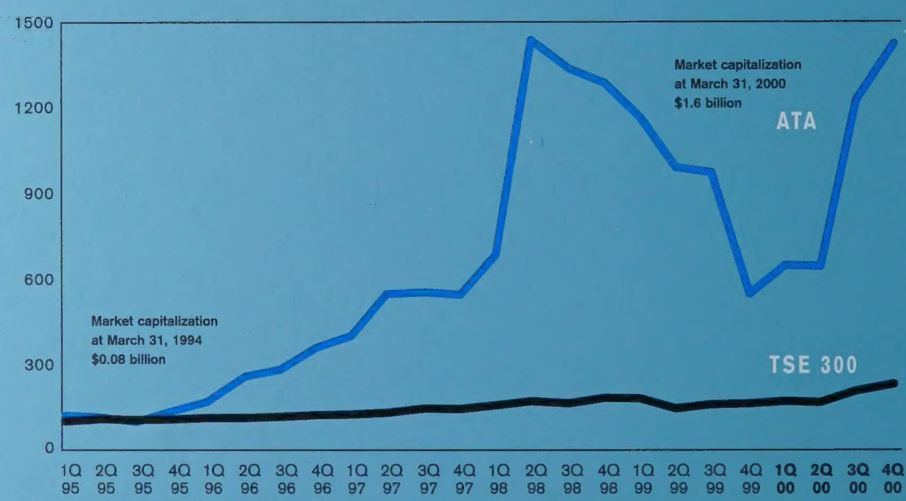
FINANCIAL HIGHLIGHTS (IN THOUSANDS OF DOLLARS EXCEPT PER SHARE DATA)

YEARS ENDED MARCH 31	2000	1999	1998
FINANCIAL RESULTS			
Revenue	$ 530,014	$ 515,268	$ 402,920
Earnings from operations	$ 60,201	$ 66,464	$ 45,984
Net earnings	$ 35,745	$ 37,237	$ 27,362
PER SHARE			
Net earnings per share–basic	$ 0.64	$ 0.67	$ 0.52
Weighted average number of shares outstanding–basic	55,737,004	55,401,228	53,010,063
FINANCIAL POSITION			
Total assets	$ 551,674	$ 499,422	$ 436,020
Shareholders' equity	$ 348,136	$ 314,339	$ 268,206

CONSOLIDATED REVENUE
(by fiscal year, millions $)

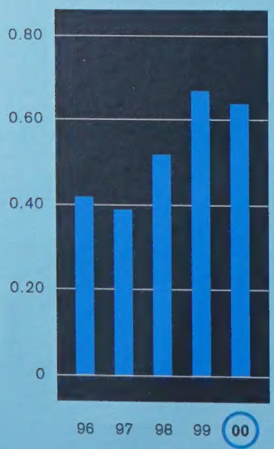


STOCK PERFORMANCE OF ATS COMMON SHARES ($)



Graph compares the value of $100 invested in ATS common shares—ticker symbol "ATA"—at March 31, 1994 with $100 invested in The Toronto Stock Exchange 300 Index.

BASIC EARNINGS PER SHARE
(by fiscal year, $)



DEMAND FOR ATS AUTOMATION SOLUTIONS IS AT AN UNPRECEDENTED LEVEL. AS A RESULT OF FURTHER PENETRATION IN BOTH NEW AND TRADITIONAL HIGH GROWTH MARKETS, ORDER BOOKINGS FOR AUTOMATION SYSTEMS SOARED 37% TO A RECORD $468 MILLION AT THE END OF FISCAL 2000 AND YEAR-END ORDER BACKLOG REACHED $233 MILLION, 67% HIGHER THAN A YEAR EARLIER.

the strategies of a Leader

This puts ATS in a very strong position for continued growth in fiscal 2001. By achieving revenue growth from ongoing operations of 27% in fiscal 2000, ATS successfully overcame the formidable challenge of replacing, in a single year, $100 million in revenue from a discontinued contract. In doing so, ATS emerged as **the leader** in the automation systems industry worldwide.

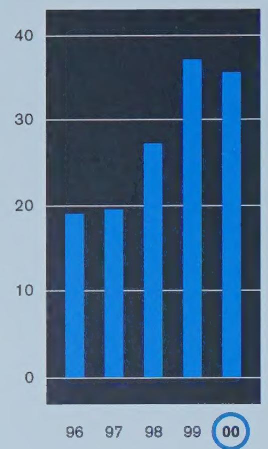
There are many ways to measure our leadership. The most important are the competitive advantages ATS possesses in terms of size, experience, scope of technical capabilities and breadth of market coverage. This leadership position will continue to manifest itself in solid earnings as it has in the last five years when the compound annual rate of net earnings growth was 36%.

Klaus D. Woerner
PRESIDENT AND
CHIEF EXECUTIVE OFFICER
(LEFT)

Lawrence G. Tapp
NON-EXECUTIVE
CHAIRMAN OF THE BOARD
(RIGHT)

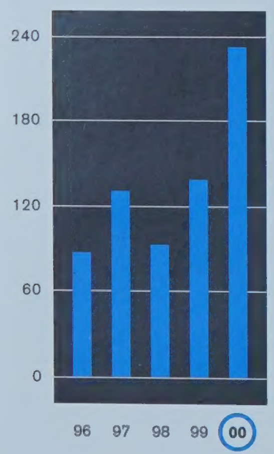
NET EARNINGS

(by fiscal year, millions $)



AUTOMATION SYSTEMS ORDER BACKLOG*

(at March 31, millions $)



*excludes internal backlog

PROVEN STRATEGIES FOR ACHIEVING NEW GROWTH

Our goal is to reinforce and expand ATS's leadership in fiscal 2001 by steadfastly building on the Company's successful strategies. We will continue to position ATS as a key, long-term strategic supplier to our growing multinational customer base. By position, we mean three key points.

1. Continually advance ATS's ability to offer customers total solutions in manufacturing. To meet this objective, ATS constantly builds its automation technology toolkit and knowledge base to fill customer needs—present and future—for manufacturing and assembly. When we see a future trend emerging in our markets or anticipate that a need for a new tool or technology may exist, we fill the need through product innovation, internal development, co-development with technology partners or the acquisition of third party technology. In the past five years, ATS has added significantly to its ability to offer total, customer-focused, turn-key solutions. We expect to add more capabilities in the coming years because of this dedicated approach to continuous advancement.

2. Increase the value we offer customers through ATS Precision Components' capabilities. We will further utilize the extensive combined total capabilities and expertise resident in both automation and in high volume precision component manufacturing to strategically serve our customers and generate additional growth opportunities. Our Precision Components Group gains significant and unique competitive advantages by applying ATS automation skills to supply customers with high quality, high volume parts and sub-assemblies at competitive pricing. Precision Components also strengthens customer relationships because it works closely, often on a continuous basis, with automation customers to help them shorten time-to-market on their new products. Precision Components is a strategic part of our business. Through capabilities such as rapid part prototyping and its proven ability to quickly and effectively ramp up high volume production on demanding components, ATS Precision Components provides substantial customer value.

3. Maintain a diverse multinational revenue base. ATS primarily serves multinational customers and believes that revenue diversification is of strategic importance. We have substantially increased our global presence in the past five years. To serve customers in their territories, we have made acquisitions, built new facilities and expanded existing ones. Over the past five years, total worldwide ATS plant capacity has grown 254% to 1.5 million square feet. With the addition of 340 employees in the last half of fiscal 2000 alone, our employment base has also expanded 208% over the same period. In fiscal 2000, ATS significantly strengthened its base of operations in Europe through the acquisition of two automation businesses in France and Germany. In fiscal 2001, ATS will again expand capabilities, providing a net increase of 210,000 square feet of space to meet demand and create opportunities to further diversify revenue by market and by geographic territory.

NEW MARKET OPPORTUNITIES

In addition to strong performance in our traditional markets—automotive and computer/ electronics—ATS created sizeable and emerging opportunities in new automation markets in fiscal 2000.

Consider these highlights:

- ATS secured more than $94 million of new business in the healthcare sector in fiscal 2000—including the largest automation contract in its history valued at $57 million. As a result of these new assignments, ATS became the leader in this sector, less than three years after we targeted healthcare as a strategic, long-term market for us. Our areas of concentration include high growth segments such as automated distribution, disposable medical devices and advanced medical products. Going forward, healthcare will represent a much larger proportion of ATS revenue.

- In fiscal 2000 ATS created a new business unit to take advantage of new outsourcing opportunities that are developing in the semiconductor equipment market. Major semiconductor equipment companies are seeking ways to configure their businesses to address rapid changes in demand. Outsourcing major sub-assemblies to capable equipment suppliers is a viable approach. While semiconductor is a cyclical industry, the long-term potential in this market is clear and we believe that our size and depth of capability make us an ideal supplier in this market.

- ATS generated $10.7 million in revenue from fibre optics customers in fiscal 2000. While only a small portion of total revenue, fibre optics is a rapidly growing market, driven by expanding Internet traffic. As these networks expand, fibre optic components suppliers will increasingly look to automation to solve their high-volume production needs. ATS has been building its knowledge base in this market for five years and our size and capabilities make us well positioned to help these high-growth companies.

MOVING FORWARD

ATS is well positioned for a strong fiscal 2001. Our strategies for longer-term growth are sound. We are dedicated to making meaningful contributions to our customers' productivity, new product launches and time-to-market.

Fiscal 2000 proved that ATS is a resilient Company with the kind of knowledge, tools, technologies and people that can adapt, readily and effectively, to changing circumstances. This adaptability will keep ATS at the forefront of its markets and will allow the Company to serve an ever-broadening array of customers in targeted industries.

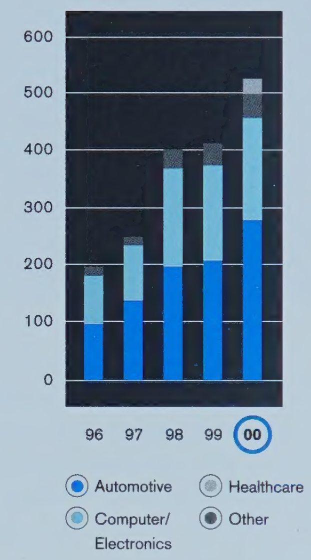
With industry leadership secured, we thank those who made this possible: our customers, shareholders, employees and suppliers. We intend to use our leadership position to reward all of you.

Klaus D. Woerner
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Lawrence G. Tapp
NON-EXECUTIVE CHAIRMAN OF THE BOARD

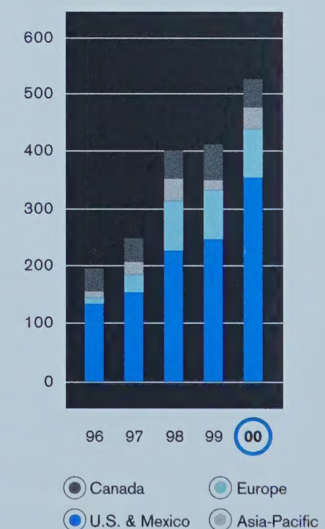
MAY 17, 2000

REVENUE FROM ONGOING OPERATIONS BY INDUSTRY*
(by fiscal year, millions $)



* Prior to fiscal 2000, Healthcare included in "other".

REVENUE FROM ONGOING OPERATIONS BY REGION
(by fiscal year, millions $)



ATS discusses

Leading

Describe the current state of competition in the automation industry.

Industrial automation is a young, dynamic and highly fragmented industry with many small, privately held, regionally focused automation integrators and machine building companies combined with a very limited number of larger competitors. Competitors vary considerably depending on the market sector, the region and the customer. No other automation company is competing with ATS across all of our markets and none has the breadth and depth of capabilities of our Company. While there is meaningful competition, we think this is healthy because it makes the automation industry more dynamic.

What is ATS's acquisition strategy and what kind of opportunities exist today for acquisitions?

Today there are numerous opportunities for ATS to acquire additional businesses. ATS has completed 12 acquisition transactions since becoming a public company in December 1993. To date, acquisitions have tended to be smaller companies that complemented our technology and/or geographic positioning. We will continue to seek out these types of companies. While we expect strong organic growth from our existing operations, our excellent financial position means that we will also consider complementary companies that provide additional attractive growth potential... especially those that are a good strategic fit and can lever off our capabilities and expertise.

What is your plan for international expansion?

We grow internationally primarily in response to customer needs. We seriously consider a direct presence in a market if it will allow us to better serve and expand revenue with current customers. But we also look at the overall market potential for new business and customers. Our acquisitions in Europe last year were in response to customer and market opportunities and they give us a solid presence in close proximity to multinational customers located in those regions. Recent weakness in the Euro currency further validated our reason to expand our presence there. However, because currency valuations fluctuate, this can never be a sole motivator for us. A local labour force that has significant engineering resources is obviously important and there are also cultural considerations, such as language.

ATS designed, built and installed this high-speed medical device manufacturing and test system for a leading multinational healthcare customer. In fiscal 2000, ATS emerged as the automation industry leader in serving healthcare customers.

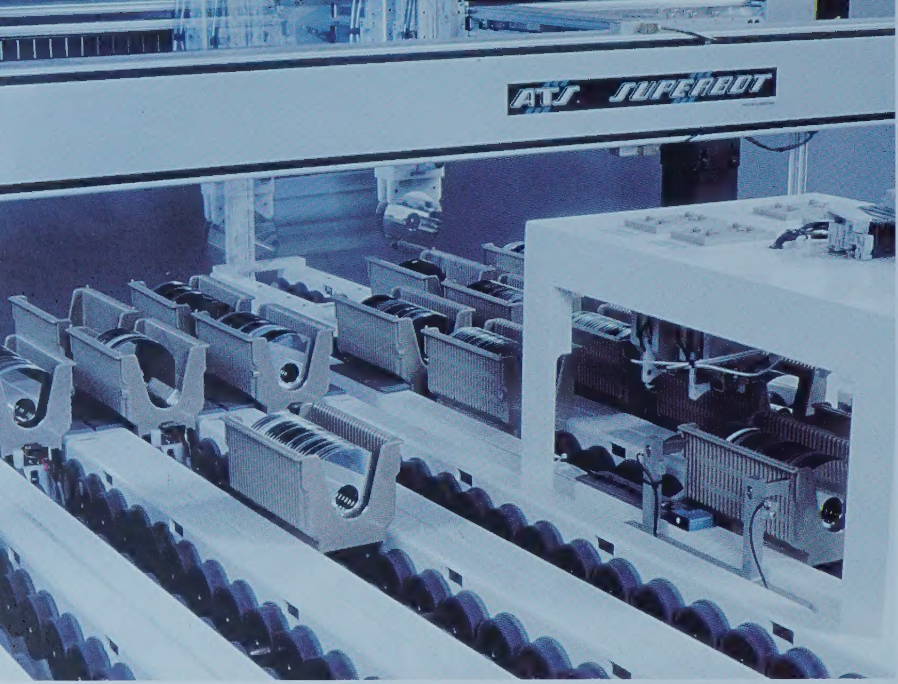
Issues

What positions ATS to grow into new markets such as healthcare?

ATS has shown it can transfer and apply its skills and technologies to add value to customers in different industries. That's why we use the term 'toolkit' to talk about our capabilities—they're portable. Looking at healthcare specifically, automation suppliers tended to be small, niche-focused companies unable to scale up to meet the needs of large multinationals. Increasingly, healthcare companies need high quality, low cost manufacturing, plus they often require complex processes to produce new advanced medical products or solve manufacturing problems. These are the same issues that continue to drive demand for automation in our more traditional markets where automation is already entrenched technology. ATS is now proving it has the skills, capabilities and scale to make a meaningful difference to healthcare multinationals and we expect to see good growth from this market in future. Healthcare is just one example of a new market. Others include semiconductor and fibre optics which ATS is also targeting because of the growth potential that exists for automation.

What makes companies buy automation systems?

Automation systems are a productivity tool. They allow our customers to produce their products faster, with greater quality, consistency, precision and at lower cost than traditional production methods. Typical customer payback on an ATS automation system investment is just 18 to 24 months. There is also an enabling aspect to automation. Automation is often instrumental to the production of complex and miniaturized parts that are increasingly found in many of today's new and more complex products. Our role is to help our customers take full advantage of automation technology to solve their manufacturing challenges. Very fundamentally, automation allows customers to gain market share, save money and accelerate time-to-market for new products.



Using clean room technology and Superbot manipulators, ATS provides turn-key material handling solutions for computer disk drives.

Why does ATS's growth strategy include both Automation Systems and Precision Components?

The Precision Components business is very complementary to our Automation Systems activities. There is a real time and cost advantage to a customer in working with an automation supplier who also understands component issues, can quickly prototype parts and then launch and quickly scale production in conjunction with commissioning the overall automated manufacturing system. Once the customer's automated system is commissioned, Precision Components continues to serve the customer on a daily basis—as a high quality, cost-competitive supplier with the full advantage of ATS automated manufacturing technology. Our core Precision Components business has developed into a rapidly growing, profitable business. It has also provided an excellent proving ground for our automation technology and strengthened our customer relationships as the leading total solutions provider.

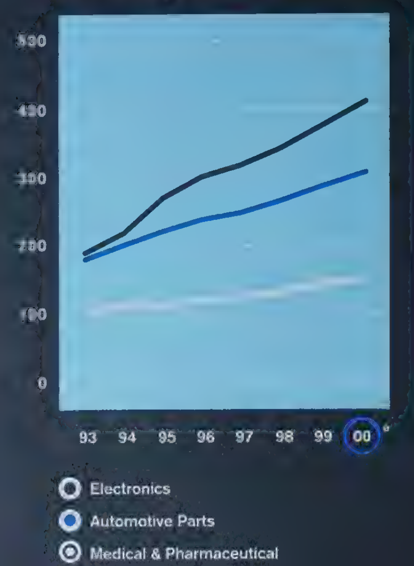
What is the outlook for Photowatt?

While Photowatt had a difficult year in fiscal 2000, it remains well positioned in an industry that is forecast to grow in the range of 20% to 25% per annum through 2010 (estimate per Strategies Unlimited). The solar market has improved significantly over the past year with a number of renewable energy programs launched recently in Japan and Europe. Strategically, the business is well positioned as the largest integrated manufacturer of solar wafers, cells and modules in Europe, the second largest world market for photovoltaics (PV). It has also made significant inroads in acquiring long-term orders from customer accounts in Japan, which is expected to be the largest geographic market for PV over the next few years. In fiscal 2001, we expect to further improve operating performance by capitalizing on the fact that we now have an automation division located in the same city as Photowatt. We expect ATS Automation France—acquired in late fiscal 2000—to provide hands-on support for Photowatt to enable us to realize increasing revenue and earnings from this business. As a result of these developments, we have far more options open to us as owners of this business than we had just a year ago.

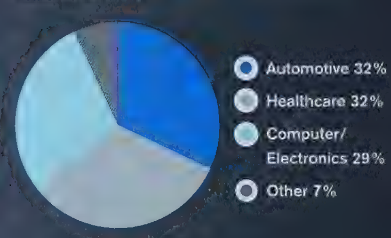
Leadership

defined

SELECTED U.S. INDUSTRIES SHIPMENT GROWTH[1]
($US millions)



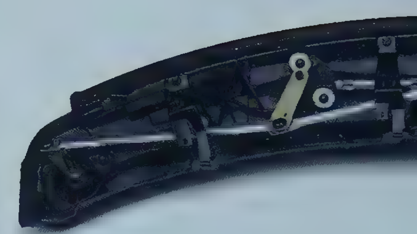
AUTOMATION SYSTEMS ORDER BACKLOG BY INDUSTRY SEGMENT
(at March 31, 2000)



SHIPMENT GROWTH SEMICONDUCTOR AND FIBRE OPTICS[1]
($US millions)

[1] The above shipment growth graphs show estimated output of key markets ATS serves. To support output growth, these industries are expected to increasingly turn to automation solutions. Data Sources: ATS, U.S. Department of Commerce, trade associations.

automotive

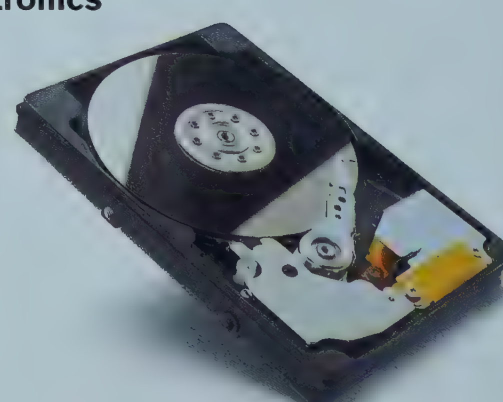


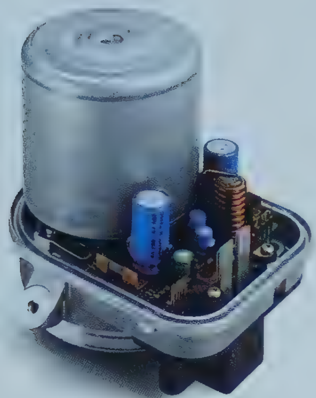
market Lead

ATS has the broadest market coverage and most diverse revenue base in its industry.

With a direct presence in 8 countries on three continents, ATS has built long-term relationships with many of the world's largest and most respected manufacturing companies.

computer–electronics





healthcare

ership

ATS has the leading position in high growth markets including healthcare and fibre optics.

In fiscal 2000, ATS outpaced its competition with 23% growth in automation systems revenue, 37% growth in order bookings and a 67% increase in automation systems backlog.

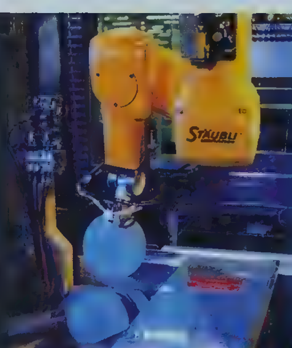
ATS is dedicated to continually advancing its leading position in both traditional and new markets for automation and precision components.

consumer products

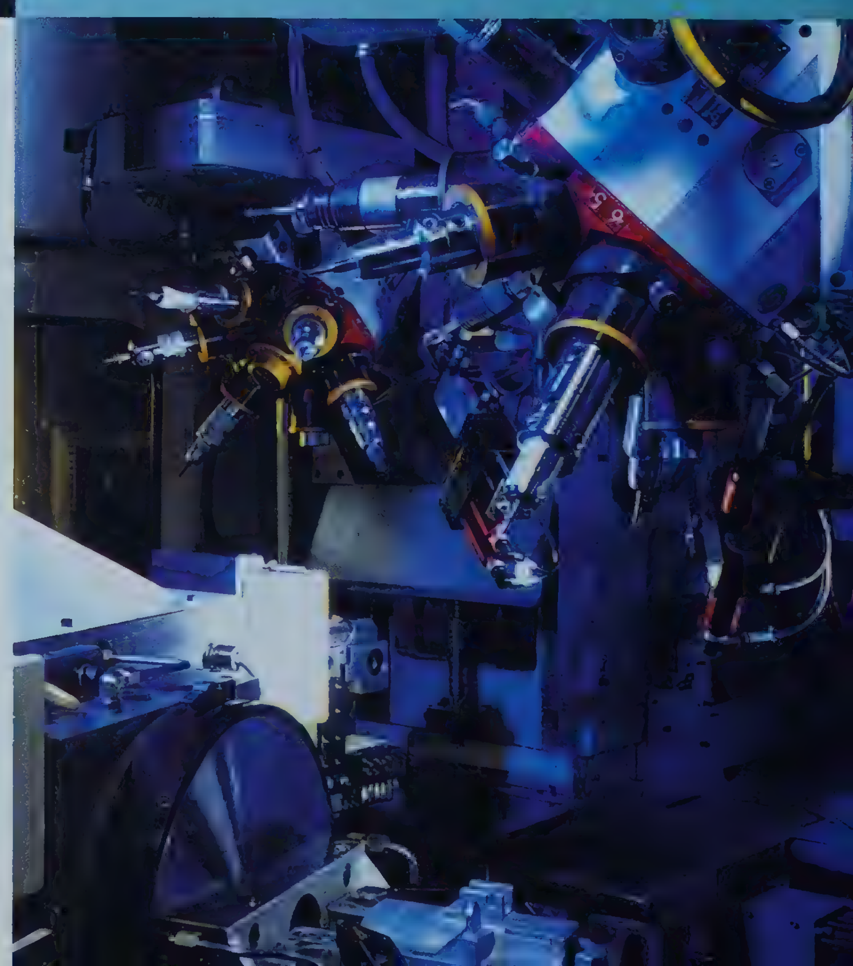
semiconductor

An MDS Autolab™ system uses ATS-developed automation technology to increase the quality and reduce the cost of high-volume medical specimen analysis.

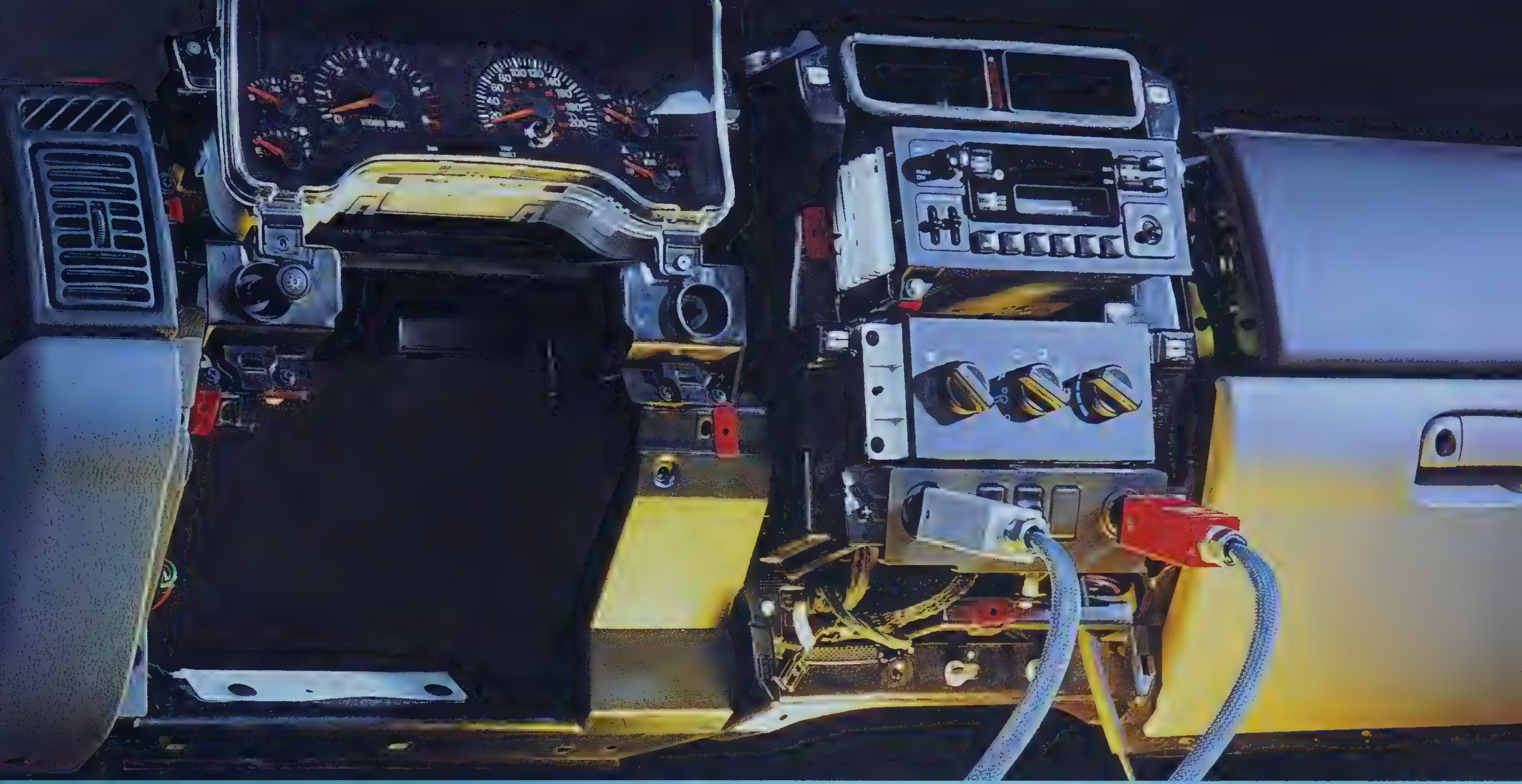
ATS's automation technology tool-kit facilitates integration of third party equipment to provide total manufacturing solutions to its customers. This ATS system is improving the yield of semi-conductor wafers.



technological Lead



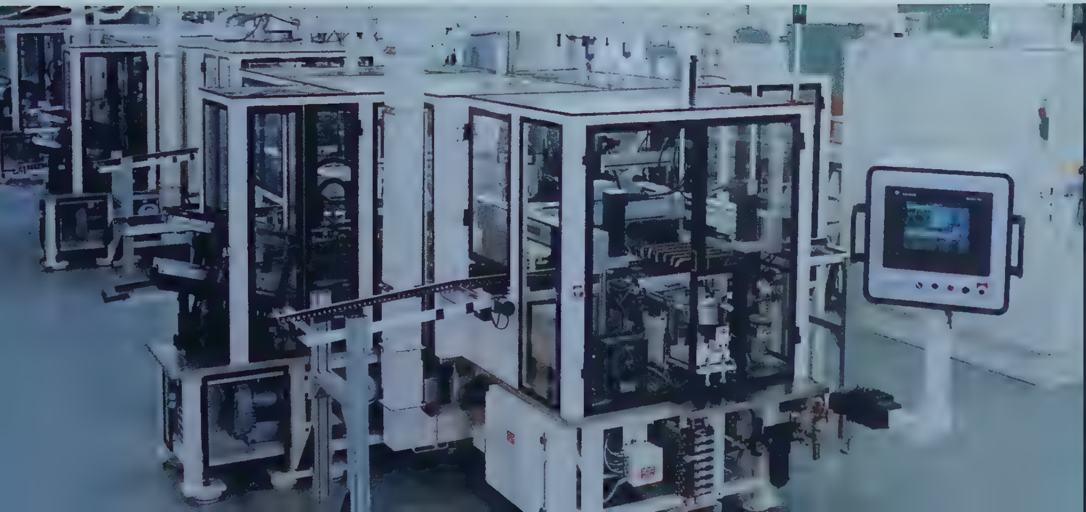
One of ATS's innovative machining centre technologies combines both rotating the part and live tooling to achieve tight tolerances and maximize throughput in this application.



ership

ATS builds advanced Just-In-Time sequenced delivery and error proofing systems that control the entire build and validation process. With ATS in-process testing, each instrument panel assembly will receive thousands of diagnostic tests prior to shipment.

- ATS continually wins new business based on its total capabilities and technical know-how in automation and precision component manufacturing.
- ATS's leading toolkit of proven automation technologies, designed for rapid deployment, has broad applications and growth potential in multiple markets.
- ATS has demonstrated, technologically advanced applications experience in diverse areas such as ultra high precision positioning, machine vision, clean room manufacturing and high speed assembly and in-process testing.



An ATS automation system, incorporating vision inspection and laser welding technology, assembles and tests a new generation automotive fuel injector.

ATS's expertise and ultra high accuracy alignment and assembly technology enable the customer to place tiny semi-conductor components onto miniature substrates such as these fibre optic components to increase production yield and volumes.

Eco-Snow Precision Cleaning is advanced technology acquired and further developed by ATS for critical cleaning applications such as semiconductor, fibre optics and other electronic components.

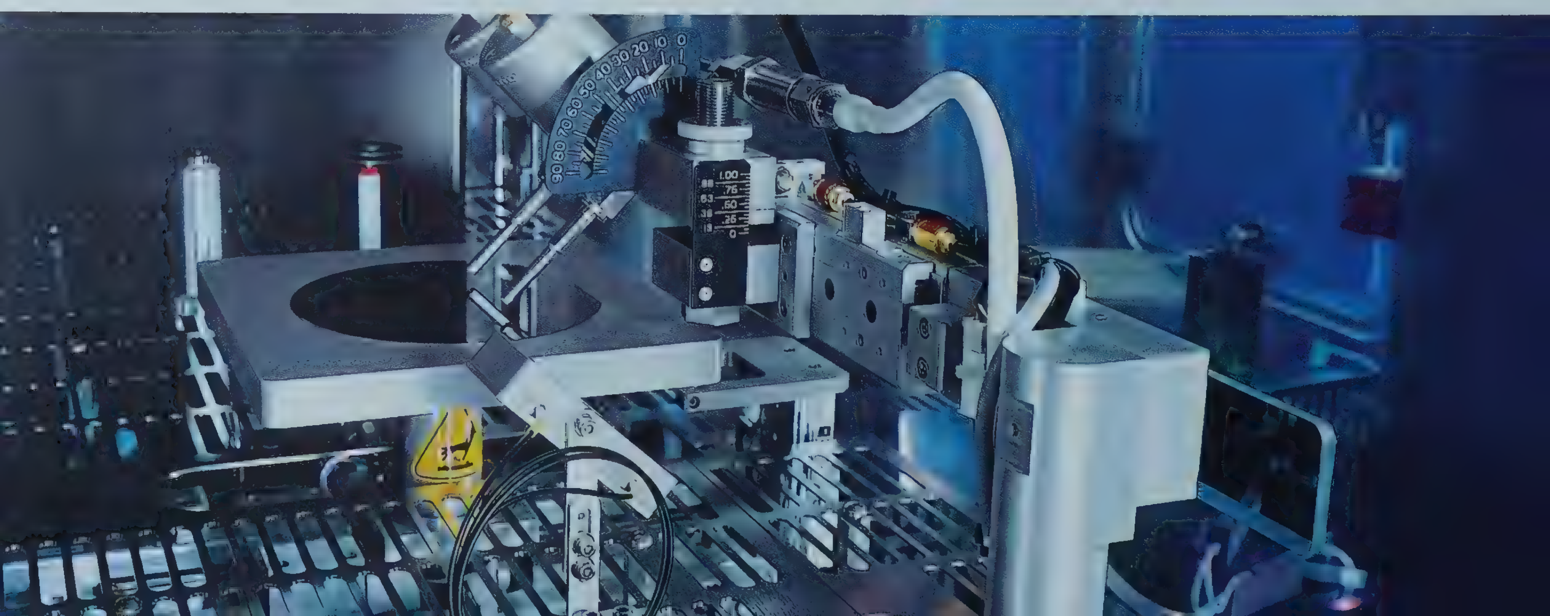
knowledge

Leadership

ATS has the industry's most knowledgeable workforce and a strong management team with depth and commitment.

With broad resident skill sets including proof of concept studies, mechanical, electrical and controls engineering, motion control and project management, ATS provides total solutions.

Using innovative programs including apprenticeships and partnerships with colleges and universities, ATS successfully recruits, trains and retains highly skilled, motivated team members.



Automating this automotive fuel pump assembly line improved product quality, lowered manufacturing costs and increased production throughput for the customer.

value added

Leadership

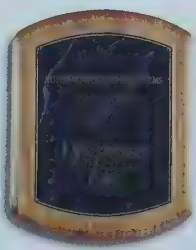
With broad turn-key capabilities, ATS helps customers to significantly reduce costs, improve quality, accelerate time-to-market and gain competitive advantage.

ATS Precision Components adds customer value by rapidly ramping up to produce demanding high-volume components, cost effectively.

ATS automation solutions offer customers an attractive return on investment, with a typical 18 to 24 month payback.

Gillette Award of Excellence

JCI North American Supplier Award



Hutchinson Vendor Award

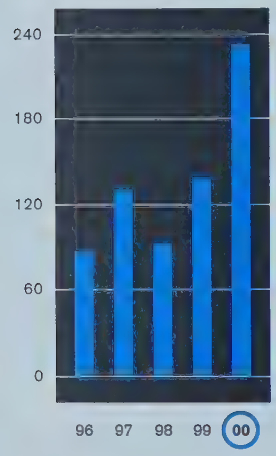
Investor Relations Magazine Investor Relations Award

Joseph E. Engelberger Robotics Industry Pioneer Award

OVERVIEW

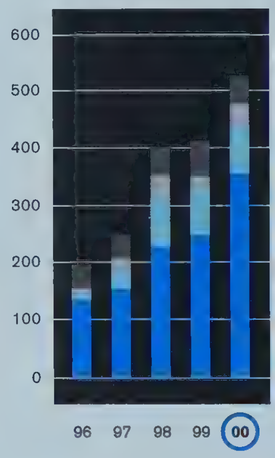
IN FISCAL 2000, ATS DEMONSTRATED THE ROBUSTNESS OF ITS CORE BUSINESS STRATEGY, ACHIEVING RECORD REVENUE OF $530 MILLION AND SOLID NET EARNINGS OF $35.7 MILLION AS A RESULT OF STRONG UNDERLYING GROWTH IN REVENUE FROM ONGOING OPERATIONS. THE COMPANY ALSO GENERATED RECORD AUTOMATION SYSTEMS ORDER BOOKINGS OF $468 MILLION AND BEGINS THE 2001 FISCAL YEAR IN STRONG FINANCIAL CONDITION WITH A LARGE, DIVERSIFIED BACKLOG OF $233 MILLION AND GOOD GROWTH PROSPECTS.

AUTOMATION SYSTEMS ORDER BACKLOG*
(at March 31, millions $)

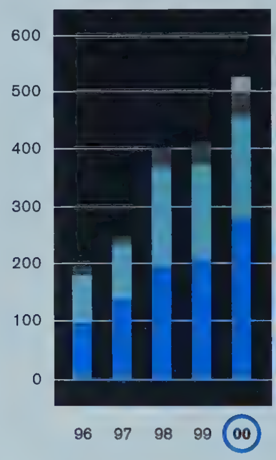


*excludes internal backlog

REVENUE FROM ONGOING OPERATIONS BY REGION
(by fiscal year, millions $)



REVENUE FROM ONGOING OPERATIONS BY INDUSTRY*
(by fiscal year, millions $)



* Prior to fiscal 2000, Healthcare included in "other".

REVENUE

Revenue from Ongoing Operations (revenue excluding the microelectronics contract) increased 27% compared to fiscal 1999, more than offsetting the $98.2 million decline in revenue from that discontinued contract. Automation Systems revenue increased 23% while Revenue from Ongoing Operations in Precision Components increased 14% compared to fiscal 1999. As a result of this strong underlying growth, consolidated revenue of $530.0 million was 3% higher than the $515.3 million achieved in fiscal 1999.

REVENUE (IN MILLIONS)	FISCAL 2000		FISCAL 1999		FISCAL 1998	
Automation Systems segment	$ 392.3	74.0%	$ 319.2	61.9%	$ 323.8	80.4%
Precision Components segment	135.6	25.6%	118.9	23.1%	93.6	23.2%
Elimination of inter-segment	(1.4)	(0.3%)	(24.5)	(4.7%)	(14.5)	(3.6%)
Revenue from Ongoing Operations	$ 526.5	99.3%	$ 413.6	80.3%	$ 402.9	100.0%
Microelectronics contract	3.5	0.7%	101.7	19.7%	—	—
Total	$ 530.0	100.0%	$ 515.3	100.0%	$ 402.9	100.0%

In fiscal 2000, Automation Systems revenue increased $73.1 million to $392.3 million as a result of a highly successful market diversification program and strong order booking activity. Acquisitions made in Germany in July 1999 and in France in December 1999 strategically enhanced the Company's European presence and contributed $19 million of the fiscal 2000 increase in revenue.

In fiscal 2000, Precision Components Revenue from Ongoing Operations reached $135.6 million, an increase of $16.7 million over fiscal 1999. This increase was the result of both new orders received during fiscal 2000 and increased volumes on established programs with both automotive and computer/electronics customers. A 35% increase in Revenue from Ongoing Operations from core Precision Components more than offset a sales decrease at Photowatt. Photowatt's fiscal 2000 sales were impacted by poor market conditions for photovoltaic products early in fiscal 2000. Management believes that Photowatt is positioned to benefit from strengthening solar markets entering fiscal 2001, and from the technical support now offered by ATS Automation France, acquired in December 1999 and ideally located in the same community.

Growth in Revenue from Ongoing Operations was achieved across all of the Company's industrial markets, reflecting the benefits of its market diversification strategy. ATS's traditional automotive and computer/electronics markets continued to produce strong growth in fiscal 2000 increasing 34% and 8% respectively compared to fiscal 1999. Healthcare emerged as a significant industry segment in fiscal 2000 comprising $26.7 million of consolidated Revenue from Ongoing Operations, an increase of 950% over fiscal 1999. ATS is well positioned to increase future revenue in this growing market for automation, having won 10 new multinational healthcare customers and achieved a substantial $76 million year-end order backlog from this market.

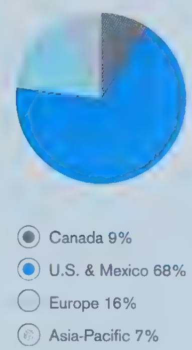
The "Other" industry sector also contributed significantly to overall revenue growth increasing 15% over fiscal 1999, reflecting increased revenues from a variety of manufacturing companies, especially consumer products customers.

Geographically, Revenue from Ongoing Operations remained well diversified with growth of 43% in the U.S. and Mexico, the Company's most established market. Increased automation revenue arising from the French and German acquisitions in fiscal 2000 was offset by weaker solar markets, resulting in a slight overall decrease in revenue from Europe. Revenue growth in Asia-Pacific of 115% reflected improving economic conditions in this region.

The Company's three largest customers combined represented 23% of fiscal 2000 consolidated revenue compared to 30% in 1999. Only one of these customers appeared in the Company's top three customers list in both years. Repeat customers, an important measure of ATS's industry leadership and revenue sustainability, represented approximately 80% of consolidated revenue for fiscal 2000 compared to 86% last year. The change was due to the substantial number of new customer relationships entered into in fiscal 2000.

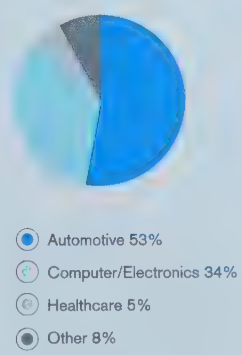
REVENUE FROM ONGOING OPERATIONS BY REGION

(fiscal 2000)

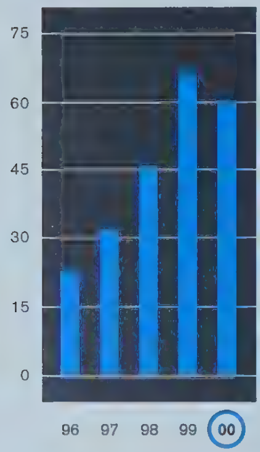


REVENUE FROM ONGOING OPERATIONS BY INDUSTRY

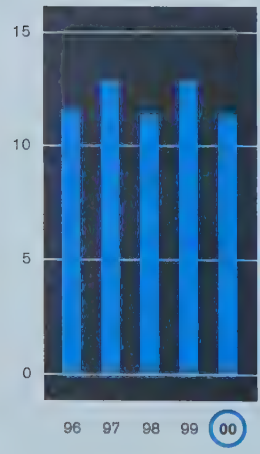
(fiscal 2000)



EARNINGS FROM OPERATIONS
(by fiscal year, millions $)



CONSOLIDATED OPERATING MARGIN
(by fiscal year, %)



EARNINGS FROM OPERATIONS

Consolidated earnings from operations for fiscal 2000 were $60.2 million compared to $66.5 million in 1999. Unconsolidated segment results before inter-group eliminations show fiscal 2000 operating earnings from Automation Systems increased to $60.4 million, up $2.2 million compared to $58.2 million in fiscal 1999 reflecting revenue growth. Precision Components operating earnings in fiscal 2000 were $4.6 million, compared to $15.8 million in 1999, primarily reflecting the revenue decline from the microelectronics contract.

Fiscal 2000 consolidated operating margins declined from the record level of 12.9% realized in fiscal 1999 to 11.4%, reflecting several anticipated factors. Automation Systems margins of 15.4% (18.2% in fiscal 1999) reflected softer computer/electronics markets early in fiscal 2000, and the impact of expected increases in the proportion of revenue derived from third party content in automation systems revenue. Precision Components operating margins of 3.3% (7.2% in fiscal 1999) reflected the decline in microelectronics contract revenue in fiscal 2000, softer photovoltaic markets at the beginning of the year and dilution from the McAllen Texas facility opened in fiscal 1999. Consolidated operating margins of 11.4% realized in fiscal 2000 were well in line with the Company's long-term target range of 11% to 12%.

Depreciation and amortization expense in fiscal 2000 was $6.0 million lower than in fiscal 1999 reflecting the significant depreciation charges incurred last year related to the microelectronics contract. Selling and administrative expenses were $2.4 million lower than in fiscal 1999 reflecting improved results from the Company's foreign exchange hedging activities and reduced administrative costs which more than offset planned selling expense increases and the incremental general and administrative costs resulting from the acquisitions made in fiscal 2000.

UNUSUAL ITEMS

In fiscal 2000, the Company incurred an unusual charge of $1.5 million before tax or $1.0 million after tax (two cents per share basic and one cent per share fully diluted) to write off its remaining investment in the "heat battery" product, since it was not gaining market acceptance. In fiscal 1999, unusual charges totalled $3.9 million before income tax or $2.4 million after income tax (four cents per share basic and fully diluted). Unusual items are described in note 10 to the consolidated financial statements.

NET EARNINGS

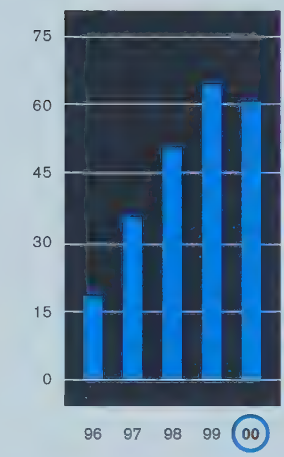
Net earnings for fiscal 2000 were $35.7 million (64 cents per share basic, 62 cents per share fully diluted), compared to $37.2 million (67 cents per share basic, 65 cents per share fully diluted) last year.

CASH FLOW AND FINANCIAL RESOURCES

Strong earnings generated healthy cash flow from operations of $60.8 million in fiscal 2000. This cash was used to fund increased working capital which rose $70.9 million in fiscal 2000 primarily to support the rapid growth in core operations. Investments of $27.2 million in fiscal 2000—primarily for acquisitions and fixed assets—were $38.8 million lower than in fiscal 1999, reflecting significant capital equipment purchased in 1999 to support the microelectronics contract. Significantly higher capital expenditures are expected in fiscal 2001, including an estimated $26 million for three new automation systems facilities, and additional expenditures on equipment and systems to support continued growth.

ATS has a very strong financial base with which to continue its growth strategy. At March 31, 2000 the Company had a long-term debt to equity ratio of 0.14:1 and $58.4 million of unutilized credit available under its various operating and term facilities. Foreseeable cash needs are expected to be funded by cash generated from ongoing operations, existing cash resources and debt capacity.

CASH FLOW FROM OPERATIONS
(by fiscal year, millions $)

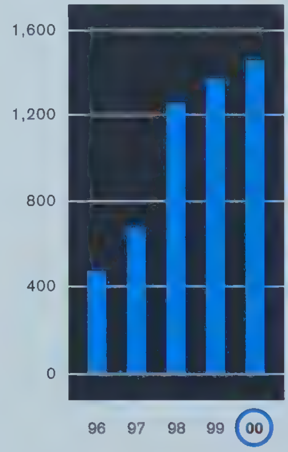


CAPACITY EXPANSION

A capacity expansion program required to support expected growth is a key focus of fiscal 2001. Construction in the coming year will increase worldwide automation facilities space by 22% with new plants being built in Cambridge, Ontario, Rock Hill, South Carolina and Munich, Germany.

Recruitment of skilled employees is fundamental to ATS's long-term growth strategy and has been proceeding well in spite of tight labour markets. The Company increased its global workforce from 2,400 to 2,900 in fiscal 2000 and expects significant further employment increases in fiscal 2001.

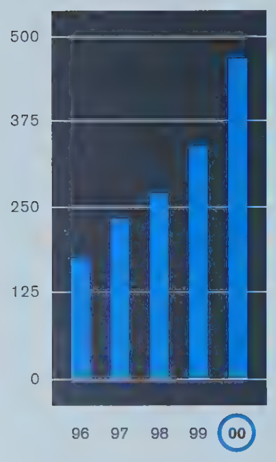
FACILITIES SQUARE FOOTAGE
(at March 31, thousands of square feet)



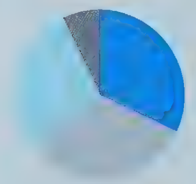
OUTLOOK

Management believes the trends that create demand for automation are strong in its traditional markets and are broadening into new segments. These trends include customers' strategic needs to continually reduce cost, leverage productivity, increase quality, speed time-to-market, utilize increasingly complex processes and achieve more demanding tolerances. These trends are well established in automotive and computer/electronics markets where new products and technology will continue to create demand for automated manufacturing systems. The same strategic needs are creating demand for automation in emerging markets. Management believes that adoption of automation technology in new markets will accelerate as more leaders in these industries realize the benefits derived from automated manufacturing systems.

AUTOMATION SYSTEMS ORDER BOOKINGS
(by fiscal year, millions $)



AUTOMATION SYSTEMS ORDER BACKLOG BY INDUSTRY SEGMENT
(at March 31, 2000)



OUTLOOK (continued)

As a result of these trends and the Company's diversification strategy, ATS achieved a record $468 million in automation systems order bookings during fiscal 2000. These orders were comprised of many individual contracts across a broad spectrum of industries, customers and regions. With these bookings ATS started fiscal 2001 with a record year-end backlog of $233 million, up 67% compared to 1999. This backlog is more diversified than at any time in the Company's history.

Strong order activity was generated in the Company's established markets in fiscal 2000 resulting in 32% of the year-end backlog from automotive customers, 29% from computer/electronics and 7% from other industries, primarily consumer products.

The largest order in fiscal 2000 was $57 million—the largest in the Company's history—to supply an automated system for a leading global healthcare company over the next two years. This order, combined with a number of smaller but sizable orders from several other new healthcare customers, resulted in the healthcare industry comprising 32% of backlog at March 31, 2000. Healthcare is expected to represent an increased proportion of revenue in 2001 due to ATS's leadership position and momentum in this emerging market.

Fibre optics is a market with significant potential for automation because of growing demand and capacity constraints. Management believes ATS's size and capabilities in high accuracy alignment, placement, machine vision and material handling are very applicable to the needs of this extremely demanding industry. Fibre optics comprised 3% of fiscal 2000 automation systems revenue, a figure management believes will grow in future years.

There is also significant growth opportunity in serving the outsourcing needs of major tier one suppliers to the semiconductor industry. These companies are looking to outsource portions of their production to cope with rapid changes in end user demand. Management believes ATS has the size and scalability required to serve these customers.

The outlook for Precision Components operations is positive. Continued revenue growth is expected in the core Precision Components businesses, with good opportunities for obtaining new orders and continuing demand under existing contracts expected to more than offset those programs nearing the end of their scheduled lifecycles in fiscal 2001. Strategically, ATS's unique capabilities in management, engineering and rapid ramp-up of high volume manufacturing and automation technology position it well to capitalize on demanding precision components opportunities that develop within the Company's customer base.

Management believes, based on the success of its strategic diversification program, healthy markets, increased capacity, enhanced European presence, substantial base of work on hand and its position as the leader in its industry, that the outlook for the Company for fiscal 2001 is positive.

MAY 17, 2000

OTHER CONSIDERATIONS AND RISK FACTORS

Automation Systems Revenue Mix

An automation systems order typically requires ATS to integrate third party content with its own products and services (ATS value added) to produce a complete automated manufacturing system. Third party content consists primarily of third party equipment and subcontract work and typically comprises a significant portion of the total value of an automation systems order. Specific third party equipment, reflecting the functional requirements of the system, is often required under the terms of the customer's order. ATS typically subcontracts work on an automation systems order as required to supplement internal resources and to manage capacity, order backlog and customer delivery schedules.

The amount of revenue ATS earns from third party content in automation systems in a particular reporting period depends primarily on the value of such content acquired by ATS during that period. The amount of third party content may be subject to significant fluctuations from period to period, and depends upon the nature and specifications of the automation systems orders in process, the value and timing of deliveries of third party content, and the amount of subcontracting used in the period.

The Company typically earns significantly lower margins on third party content compared to margins from ATS value added. Therefore, higher than normal third party content in a period tends to increase revenues and dilute margins, while lower third party content in a period tends to reduce revenues and increase margins. The Company may also experience negative impacts on operating margins during periods of rapid expansion.

Automation Systems Pricing

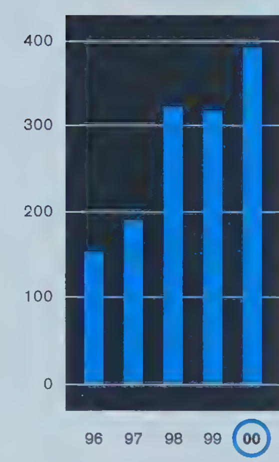
Individual prices and terms for custom automation systems contracts are typically negotiated between ATS and its customers. Profit margins on contracts vary depending on a number of factors, including, but not limited to: market conditions, technical risk, competition, the results of negotiation and revenue mix.

Use of Estimates and Automation Systems Contract Risk

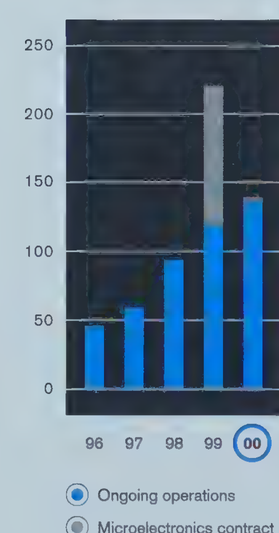
The nature of automation systems contracts requires the use of estimates to quote new business and to apply the percentage of completion method of revenue recognition over the life of the project. Automation systems are typically sold on a fixed-price basis. The work to be performed involves varying degrees of technical uncertainty, including possible development work to meet the customer's specification, the extent of which is sometimes not determinable until after the project has been awarded. If the actual costs incurred by the Company are significantly higher than estimated at the quotation stage, the Company's earnings may be negatively affected.

Certain contracts may include penalties for late delivery and/or may expose the Company to liability. Automation systems contracts may be terminated by customers in the event of a default by the Company, or for convenience of the customer. In the event of a termination

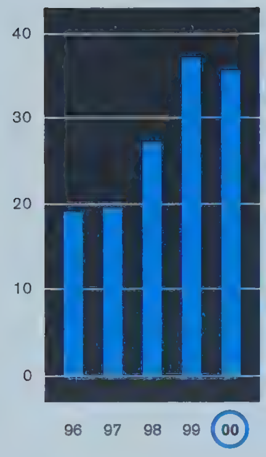
AUTOMATION SYSTEMS GROUP REVENUE
(by fiscal year, millions $)



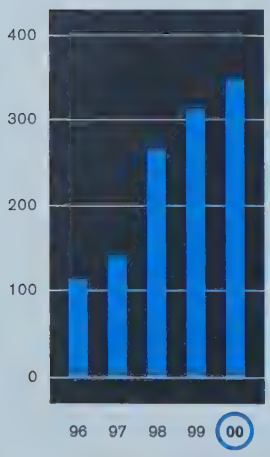
PRECISION COMPONENTS GROUP REVENUE
(by fiscal year, millions $)



NET EARNINGS
(by fiscal year, millions $)



SHAREHOLDERS' EQUITY
(at March 31, millions $)



for convenience, ATS must typically negotiate a settlement reflective of the progress achieved on the contract and/or the costs incurred to the termination date.

Precision Components Expansion Risks

New precision components contracts often require the Company to invest in new production equipment, systems and sometimes facilities, often on tight time schedules. Bringing these investments into production quickly may expose the Company to certain risks depending on the size of the investment, the schedule, the technology involved, and the nature of the precision components to be produced. When production is first started, the Company often incurs higher costs and lower production rates than for more established programs, and may encounter significant costs to correct problems which may arise. Furthermore, failure to meet a customer's requirements may negatively impact the Company, including possible termination of the contract.

Precision Components Pricing, Quality, Delivery and Volume Risk

Precision Components manufactures engineered components typically under long-term, high volume contracts of varying duration. With the exception of solar modules, unit prices are usually less than five dollars. The majority of precision components orders obtained from automotive industry customers have historically been single source contracts with three- to five-year durations. Typically, ATS has not been sole-sourced under other non-automotive contracts. The existence of competitive suppliers of these precision components may expose the Company to greater pricing pressure and volume risk.

ATS is required to remain competitive on price, quality and delivery as a condition of many of its precision components contracts. Pricing for precision components is often subject to revision and adjustment as a result of negotiations and cost reduction obligations to which the Company may be subject. Price reductions may be mandatory under the terms of some contracts. The Company may also believe it necessary to voluntarily reduce prices as a way to secure higher proportions of the customer's releases when competitive circumstances exist. To the extent ATS is obligated, or agrees, to reduce prices and the impact of the reduced prices is not offset through cost reductions or efficiencies gained from higher volumes, operating margins and earnings will be negatively impacted. Failure to remain competitive on price, quality and delivery may result in the loss of single source status (if in place), reduced shipments and possible termination of the contract. Management believes such terms are customary in the industries in which it currently operates.

Typically, precision components contracts do not provide volume guarantees. The actual volume of parts shipped may vary materially from planned levels during the term of the contract and from quarter to quarter. Variations from planned volumes may occur for a number of reasons including changes in demand for the customer's end product, capacity constraints, quality problems, competition, and obsolescence.

Cash Flow

The Company's cash flow depends on a number of factors including ongoing working capital requirements and the level and timing of capital expenditures or acquisitions which ATS may make. Capital spending in any particular year is primarily determined by the Company's need to expand capacity and to update technology in response to market demands. Significant investments in excess of the amounts budgeted, or significant acquisitions, should they arise, may result in the need for additional financing.

Automation systems contracts can have a significant impact on the Company's working capital requirements. Typically sold under fixed price contracts, often for prices in excess of $1 million, automation systems typically take six months or more to complete, depending on the complexity and size of the contract and lead times for purchased items (which may be significant). Cash flow from an automation systems contract is determined by the progress billing schedule negotiated with the customer and the achievement by ATS of the specified progress billing milestones. These factors vary from contract to contract, and may result in significant changes in cash requirements from quarter to quarter. ATS typically seeks to have billed 80% to 90% of the contract value before shipment.

Capital expenditures and pre-production expenditures related to major new precision component orders must often be made six months or more before shipments start. Timing of cash flows from precision components contracts may vary depending upon shipment releases provided by the customer (See **Precision Components Pricing, Quality, Delivery and Volume Risk**).

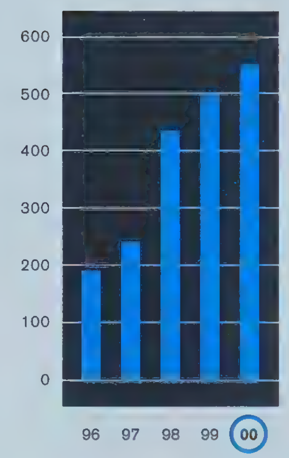
The Company generates a significant portion of net cash inflows in major foreign currencies, primarily U.S. dollars. In order to manage a portion of this net foreign currency exposure, the Company maintains a hedging program as discussed in consolidated financial statement notes 1(c) and 3. The Audit and Finance Committee of the Board of Directors regularly reviews the Company's hedging policy and activities under the policy.

Availability of Human Resources

The Company's business, especially Automation Systems, is knowledge-based. Management believes that to increase Automation Systems revenue it must continue to attract, retain and develop technical employees whose skills are increasingly in demand. To a lesser degree, ability to increase Precision Components revenues is dependent upon availability of key employees with the specialized skills required to support growth. Typically, new employees require ATS-specific on-the-job training before becoming fully productive. The Company's future success also depends upon a number of key employees, including Klaus D. Woerner, ATS's President and Chief Executive Officer and other members of senior management.

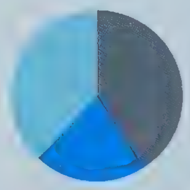
TOTAL ASSETS

(by fiscal year, $ millions)



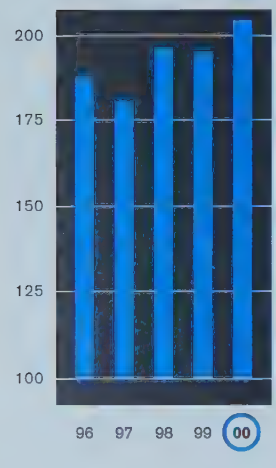
EMPLOYEE SKILL SETS

(at March 31, 2000)



- Engineers, technicians 41%
- Skilled trades and apprentices 21%
- Semi-skilled operators and others 38%

CONSOLIDATED REVENUE PER EMPLOYEE
(by fiscal year, thousands $)



TOTAL EMPLOYEES
(at March 31)

Cyclicality

Historically, many of the markets served by the Company have tended to be cyclical in nature. General economic trends, product life cycles and product changes may impact Automation Systems bookings, Precision Components volumes, and the Company's earnings in any of these markets. To the extent the Company has not secured new orders sufficient to replace any reduction or loss of business that may arise under individually material contracts, the future revenues and earnings of ATS may be materially negatively impacted. The Company's broad customer base and its strategy of diversification through participation in different industries and geographic regions are intended to reduce cyclical risk and to provide opportunities to generate new revenue.

Variations in Quarterly Results

The revenues, operating margins and earnings of ATS may vary from quarter to quarter as a result of factors discussed in this report. Additional factors which may impact quarterly results include: changes in the proportion of revenue derived from the different activities of the Company, different margins on work performed, acquisitions, level of investment in new operations, number of new employees added in a period, level of general and administrative expenses required to support the Company's growth and level of research and development activities.

While ATS products are not seasonal in nature, the Company's quarterly results have often reflected lower earnings during the summer months, or second quarter. This has generally been the result of lower revenue due to staff vacations (which reduce capacity, especially in the Automation Systems Group) and seasonal customer plant shutdowns (which reduce volumes in the Precision Components Group).

FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual report constitute forward-looking statements. These include statements about management's expectations, beliefs, intentions or strategies for the future, which are indicated by words such as "anticipate, intend, believe, estimate, forecast and expect" and similar words. All forward-looking statements reflect management's current views with respect to future events and are subject to certain risks and uncertainties and assumptions that have been made. Important factors that could cause actual results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements are discussed in this management's discussion and analysis, elsewhere in this annual report, and in other continuous disclosure filings of the Company. If one or more of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results could vary materially from those that are expressed or implied by these forward-looking statements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of ATS Automation Tooling Systems Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. The significant accounting policies, which management believes are appropriate for the Company, are described in note 1 to the consolidated financial statements. The financial information contained elsewhere in this document is consistent with that in the consolidated financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgements, have been properly reflected in the financial statements. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit and Finance Committee of the Board, which is comprised of outside directors and which meets periodically with management and the independent auditors to discuss the Company's financial reporting practices and procedures, its systems of internal accounting controls, the planned scope of examinations by independent auditors and their findings and recommendations. It also reviews the Company's consolidated financial statements.

The Company's independent auditors, KPMG LLP Chartered Accountants, conduct an independent examination on behalf of the shareholders, in accordance with generally accepted auditing standards and express their opinion on the financial statements. Their report outlines the scope of their examination and their opinion on the consolidated financial statements of the Company. The independent auditors have free access to the Audit and Finance Committee of the Board.

Klaus D. Woerner
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Ron J. Jutras
SECRETARY AND CHIEF FINANCIAL OFFICER

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of ATS Automation Tooling Systems Inc. as at March 31, 2000 and March 31, 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2000 and March 31, 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
WATERLOO, CANADA
MAY 10, 2000

CONSOLIDATED BALANCE SHEETS (IN THOUSANDS OF DOLLARS)

AT MARCH 31	2000	1999
ASSETS		
Current assets:		
Cash and short-term investments	$ 66,245	$ 84,285
Accounts receivable	102,601	85,183
Costs and earnings in excess of billings on contracts in progress (note 4)	138,838	85,013
Inventories (note 4)	45,519	41,914
Other	2,379	977
	355,582	297,372
Fixed assets (note 5)	138,445	136,162
Goodwill and other intangibles	45,683	45,120
Other assets (note 6)	11,964	20,768
	$ 551,674	$ 499,422
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$ 28,772	$ 18,348
Accounts payable and accrued liabilities	75,103	60,924
Billings in excess of costs and earnings on contracts in progress (note 4)	16,083	30,257
Income taxes payable	7,645	1,822
Current portion of long-term debt (note 7)	406	759
Future income taxes (note 11)	17,793	15,757
	145,802	127,867
Long-term debt (note 7)	48,990	51,055
Future income taxes (note 11)	6,644	4,178
Minority interest	2,102	1,983
Shareholders' equity:		
Share capital (note 8)	200,160	194,319
Retained earnings	147,452	111,707
Cumulative translation adjustment (note 9)	524	8,313
	348,136	314,339
Commitments (note 13)		
	$ 551,674	$ 499,422

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Klaus D. Woerner
DIRECTOR

Robert W. Luba
DIRECTOR

CONSOLIDATED STATEMENTS OF EARNINGS

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

YEARS ENDED MARCH 31	2000	1999
REVENUE	$ 530,014	$ 515,268
Operating costs and expenses:		
Cost of revenue	396,332	366,899
Depreciation and amortization	21,035	27,044
Selling and administrative	52,446	54,861
	469,813	448,804
EARNINGS FROM OPERATIONS	60,201	66,464
Other expenses (income):		
Interest on long-term debt	3,288	3,149
Other interest	(2,049)	(580)
Unusual items (note 10)	1,497	3,944
	2,736	6,513
EARNINGS BEFORE INCOME TAXES AND MINORITY INTEREST	57,465	59,951
Provision for income taxes (note 11)	21,565	22,480
EARNINGS BEFORE MINORITY INTEREST	35,900	37,471
Minority interest in earnings of subsidiaries	155	234
NET EARNINGS	$ 35,745	$ 37,237
NET EARNINGS PER SHARE		
Basic	$ 0.64	$ 0.67
Fully diluted	$ 0.62	$ 0.65

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(IN THOUSANDS OF DOLLARS)

YEARS ENDED MARCH 31	2000	1999
RETAINED EARNINGS, BEGINNING OF YEAR	$ 111,707	$ 74,470
NET EARNINGS	35,745	37,237
RETAINED EARNINGS, END OF YEAR	$ 147,452	$ 111,707

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS OF DOLLARS)

YEARS ENDED MARCH 31	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$ 35,745	$ 37,237
Items not involving cash	25,057	27,381
Cash flow from operations	60,802	64,618
Change in non-cash operating working capital	(70,929)	21,988
	(10,127)	86,606
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of interest in subsidiaries (note 2)	(2,421)	—
Acquisition of fixed assets	(25,392)	(54,898)
Investments and other	656	(11,022)
	(27,157)	(65,920)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank indebtedness	10,424	5,847
Issuance of common shares	5,005	2,740
Long-term debt	(3,475)	7,805
Other	7,290	9,304
	19,244	25,696
(DECREASE) INCREASE IN CASH	(18,040)	46,382
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	84,285	37,903
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	$ 66,245	$ 84,285

See accompanying notes to consolidated financial statements.

1. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of consolidation

These consolidated financial statements include the accounts of ATS Automation Tooling Systems Inc. and subsidiary companies. All significant intercompany transactions and balances have been eliminated.

(b) Foreign currency translation

The assets and liabilities of self-sustaining foreign subsidiaries are translated into Canadian dollars at year-end exchange rates and the resulting unrealized exchange gains or losses are included as a separate component of shareholders' equity. The earnings statements of these operations are translated at exchange rates prevailing during the year.

Other monetary assets and liabilities which are denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates, and transactions included in earnings are translated at rates prevailing during the year. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of earnings, except for the exchange gains and losses on long-term debt which are deferred and amortized over the remaining term of the related loans.

(c) Derivative financial instruments

Foreign exchange contracts are used by the Company to reduce financial risks related to future net cash flows in foreign currencies. Gains and losses on the contracts are recognized in the consolidated statement of earnings during the same period as the corresponding foreign currency revenues and expenses.

Interest rate swaps are used by the Company to reduce its risks related to changes in interest rates on its long-term revolving bank credit facility. The difference between the swap rate and the actual interest rate is reflected in earnings as incurred.

(d) Cash and short-term investments

Cash and short-term investments consist of cash and highly liquid money market instruments, typically with maturities of three months or less.

(e) Fixed assets

Fixed assets are recorded at cost. Depreciation is computed using the following methods and annual rates:

Asset	Basis	Rate
Buildings	Declining-balance	4%
Production equipment	Straight-line	10–30%
	Units of production	Per unit
Other equipment and furniture	Declining-balance	20–30%

Leasehold improvements are amortized over the terms of the related leases on a straight-line basis.

(f) Goodwill and licences

Goodwill is recorded at cost and is amortized using the straight-line method over periods from five to forty years. The Company evaluates goodwill each year to determine if there has been a permanent decline in value based on current and expected operating earnings of each underlying business, taking into consideration operating trends and other relevant factors.

Licences are recorded at cost and are amortized over their estimated economic life.

(g) Contract revenue and inventories

Contract revenue in the Automation Systems segment is recognized using the percentage of completion method. Complete provision is made for losses on contracts in progress when such losses first become known. Revisions in cost and profit estimates, which can be significant, are reflected in the accounting period in which the relevant facts become known. Revenue in the Precision Components segment is recognized at time of shipment.

Inventories are valued at the lower of cost (first-in, first-out basis) and net realizable value.

(h) Research and development costs

Research costs are charged as an expense of the period in which they are incurred. Development costs are deferred and amortized over the period in which the Company expects to benefit from the resulting product or process.

(i) Pre-production costs

Pre-production costs related to new Precision Components orders are deferred and amortized over the life of the related contract on a units of production basis.

(j) Investment tax credits

Investment tax credits are accounted for as a reduction in the cost of the related asset or expense when there is reasonable assurance that such credits will be realized.

(k) Income taxes

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(l) Stock-based compensation

No compensation expense is recognized for stock options granted under the Company's stock option plan. Consideration paid by employees, officers and directors on the exercise of stock options is credited to share capital.

2. ACQUISITIONS

During the year ended March 31, 2000, the Company acquired 100% of two German companies—a designer and manufacturer of automated manufacturing systems and a small distributor of machine tools. Also in the year ended March 31, 2000, the Company acquired 100% of the automation systems division of a French company.

The acquisitions have been accounted for using the purchase method as follows:

Assets, at assigned value	$ 10,368
Liabilities assumed	(10,979)
Goodwill	4,537
	$ 3,926
Consideration:	
Cash	$ 2,421
Debt assumed	669
Common shares	836
	$ 3,926

The consolidated statements of earnings include the results of acquired businesses from their respective dates of acquisition.

3. FINANCIAL INSTRUMENTS

The contract nature of the Company's business may result in significant fluctuations from period to period in the relative percentages of accounts receivable and contracts in progress concentrated with any one customer, industry or geographic region. At March 31, 2000, no one customer accounted for greater than 10% of the combined balance of accounts receivable and contracts in progress. At March 31, 1999, one customer accounted for approximately 11% of the combined accounts receivable and contracts in progress balances.

The Company generates significant revenues in major foreign currencies, primarily U.S. dollars, which exceed the natural hedge provided by purchases of goods and services in those currencies. In order to manage a portion of this net foreign currency exposure, the Company has entered into foreign exchange contracts. The timing and amount of foreign exchange contracts are estimated based on existing customer contracts on hand or anticipated, current conditions in the Company's markets, and the Company's past experience.

The Company has outstanding forward contracts in various major currencies, primarily U.S. dollars. At March 31, 2000, the U.S. dollar forward contracts totalled U.S.$114,144,000, maturing on or before June 2001, at rates ranging from Cdn$1.4370 to Cdn$1.4896 to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

U.S.$1.00. Based on foreign exchange rates as at March 31, 2000 for contracts with similar remaining terms to maturity, the unrecognized net gains relating to the Company's forward exchange contracts are approximately $1,170,000.

The carrying amounts reported in the balance sheets for cash and short-term investments, accounts receivable, contracts in progress and accounts payable and accrued liabilities approximate their fair values, due to the short-term nature of those instruments.

The carrying value of long-term debt approximates fair value since the effective interest rates reflect current market rates. The Company has an interest rate swap agreement whereby the interest rate on U.S.$7,000,000 of the revolving bank credit facility has been fixed at 8.145% until the year 2001. The fair value of the interest rate swap approximates an unrealized loss of $161,000 at March 31, 2000.

4. CONTRACTS IN PROGRESS AND INVENTORIES

AT MARCH 31	2000	1999
Contracts in progress at the balance sheet date:		
Costs incurred on contracts in progress	$ 308,566	$ 263,696
Estimated earnings	88,181	68,902
	396,747	332,598
Progress billings	(273,992)	(277,842)
	$ 122,755	$ 54,756
Disclosed as:		
Costs and earnings in excess of billings on contracts in progress	$ 138,838	$ 85,013
Billings in excess of costs and earnings on contracts in progress	(16,083)	(30,257)
	$ 122,755	$ 54,756
Inventories are summarized as follows:		
Raw materials to be used in manufacturing	$ 20,629	$ 23,149
Work in process	19,532	10,193
Finished goods available for sale	5,358	8,572
	$ 45,519	$ 41,914

5. FIXED ASSETS

AT MARCH 31	2000			1999
	Cost	Accumulated depreciation	Net book value	Net book value
Land and land improvements	$ 11,849	$ —	$ 11,849	$ 7,743
Buildings	29,689	4,003	25,686	27,059
Leasehold improvements	10,993	2,519	8,474	6,396
Production equipment	122,718	40,877	81,841	86,572
Other equipment and furniture	20,712	10,117	10,595	8,392
	$ 195,961	$ 57,516	$ 138,445	$ 136,162

6. OTHER ASSETS

AT MARCH 31	2000	1999
Investment tax credits	$ 1,899	$ 4,161
Deferred foreign exchange loss on long-term debt	973	2,660
Deferred pre-production costs	632	973
Deferred development costs	2,783	3,541
Notes receivable	916	4,672
Subordinated loan receivable	1,500	1,500
Long-term investments	3,261	3,261
	$ 11,964	$ 20,768

The Company leases, at market rates, a manufacturing facility from 1032123 Ontario Limited, a corporation controlled by the President, a significant shareholder of the Company. In fiscal 1994, in return for certain concessions under the lease, including specified purchase and renewal options, the Company made an interest free loan to 1032123 Ontario Limited in the amount of $1,500,000. This loan is repayable upon the earlier of termination of the lease, the occurrence of certain events of default, the date the facility is sold and January 1, 2009. The loan is subordinated to the repayment of the first mortgage on the property. The Company has guaranteed $5,700,000 of the mortgage during the initial ten year term of the lease.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

7. BANK INDEBTEDNESS AND LONG-TERM DEBT

AT MARCH 31	2000	1999
Unsecured revolving bank credit facility available in Cdn$, or equivalent in other currencies, with interest at prime, or at rates tied to LIBOR, or bankers' acceptances, at the Company's option. This credit facility revolves until September 20 annually at which time it is expected that the term will be extended for a further one year period. In the event the revolving period of the credit facility is not extended, the loan is repayable over a seven year period in 60 equal instalments over the last five years of the period. The amounts are repayable in U.S. funds of U.S.$33,800 (1999—U.S.$33,800).	$ 48,990	$ 50,994
Other	406	820
	49,396	51,814
Current portion	406	759
	$ 48,990	$ 51,055

Interest paid in cash in the year totalled $3,343,000 (1999—$3,108,000).

8. SHARE CAPITAL

AT MARCH 31	2000	1999
Common shares:		
Authorized:		
Unlimited shares		
Issued:		
56,386,512 shares; (1999—55,487,945 shares)	$ 200,160	$ 194,319

The Company's employee stock purchase plan provides that a maximum of 1,200,000 common shares may be purchased by employees at the market price of the shares at the date of subscription. During the year ended March 31, 2000, 168,000 shares were fully paid and issued at purchase prices ranging from $13.32 to $23.03 (1999—119,500 shares).

The Company uses a stock option plan to attract and retain key employees, officers and directors. The shareholders have approved a maximum 5,550,569 common shares for issuance under the stock option plan, with the maximum reserved for issuance to any one person at 5% of the common shares outstanding at the time of the grant. Stock options vest over four or five year periods. The stock option exercise price is the price of the Company's common shares on the Toronto Stock Exchange at closing for the day prior to the date of the grant. Options granted under the plan may be exercised during a period not exceeding

ten years from the date of grant, subject to earlier termination upon the optionee ceasing to be a director, officer or employee of the Company. Options issued under the plan are non-transferable. Any option granted which is cancelled or terminated for any reason prior to exercise, is returned to the pool and becomes available for future stock option grants. As at March 31, 2000, there are 2,549,261 common shares remaining for future option grants.

AT MARCH 31	2000		1999	
	Shares	**Weighted Average Exercise Price**	Shares	Weighted Average Exercise Price
Stock options outstanding, beginning of the year	**2,486,190**	**$ 8.72**	2,090,698	$ 7.96
Granted	**100,000**	**14.50**	476,650	11.41
Exercised	**(663,022)**	**3.95**	(61,223)	4.18
Forfeited	**(49,175)**	**16.22**	(19,935)	7.62
Stock options outstanding, end of the year	**1,873,993**	**$ 10.52**	2,486,190	$ 8.72
Stock options exercisable, end of year	**1,164,657**	**$ 8.06**	1,496,513	$ 6.20

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at March 31, 2000	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at March 31, 2000	Weighted Average Exercise Price
$2 to 5	390,480	4.65 years	$ 2.41	390,480	$ 2.41
$6 to 10	361,190	5.92 years	6.70	354,290	6.67
$11 to 20	833,993	8.26 years	11.54	303,526	11.09
$21 to 28.375	288,330	7.88 years	23.32	116,361	23.37
$2.00 to 28.375	1,873,993	7.00 years	$ 10.52	1,164,657	$ 8.06

During the year ended March 31, 2000, 67,545 common shares were issued as consideration for an acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

9. CUMULATIVE TRANSLATION ADJUSTMENT

The cumulative translation adjustment represents the net unrealized foreign currency translation gain on the Company's net investment in self-sustaining foreign operations, principally in the United States.

AT MARCH 31	2000	1999
Cumulative unrealized gain at beginning of year	$ 8,313	$ 2,157
Unrealized gains on translation of non-current items	13,415	3,958
Unrealized (losses) gains on translation of current items	(21,204)	2,198
Cumulative unrealized gain at end of year	$ 524	$ 8,313

The decrease in the cumulative unrealized gain resulted primarily from the strengthening of the Canadian dollar against the U.S. dollar.

10. UNUSUAL ITEMS

Items comprising unusual expenses (income) are as follows:

YEARS ENDED MARCH 31	2000	1999
Write-down for impairment in value of investments	$ 1,497	$ 6,043
Write-down for decline in value of assets	—	3,500
Investment tax credits relating to prior years' research and development expenses	—	(5,599)
	$ 1,497	$ 3,944

The Company regularly reviews its investments to determine if there has been a permanent impairment in value. As a result of this review, certain of the Company's investments were written off in fiscal 2000 by $1,497,000 before income taxes, $958,000 after income taxes, (1999—written down $6,043,000 before income taxes, $3,867,000 after income taxes).

During 1999, the Company recorded a charge to earnings of $3,500,000 before income taxes ($2,205,000 after income taxes) to reflect the estimated decline in realizable value of certain assets related to future shipments under a large Precision Components contract.

During 1999 the Company completed Scientific Research and Experimental Development tax audits and recognized previously unrecorded benefits of $5,599,000 before income taxes ($3,673,000 after income taxes).

11. INCOME TAXES

Income tax expense differs from the amounts which would be obtained by applying the combined Canadian basic federal and provincial income tax rate to earnings before income taxes and minority interest. These differences result from the following items:

YEARS ENDED MARCH 31	2000	1999
Earnings before income taxes and minority interest	$ 57,465	$ 59,951
Combined Canadian basic federal and provincial income tax rate	44.60%	44.60%
Income taxes based on combined Canadian basic federal and provincial income tax rate	25,629	26,739
(Decrease) increase in income taxes resulting from:		
Manufacturing and processing allowance	(4,230)	(4,933)
Earnings of foreign subsidiaries	(684)	(1,398)
Losses for which an income tax benefit has not been recognized	679	1,206
Other items	171	866
	$ 21,565	$ 22,480
Income taxes:		
Current provision	$ 17,697	$ 27,721
Future provision	3,868	(5,241)
	$ 21,565	$ 22,480

Future income taxes are provided for temporary differences. Future tax assets and liabilities are comprised of the following:

YEARS ENDED MARCH 31	2000	1999
Future income tax assets:		
Share issue costs, loss carry forwards and other	$ 5,457	$ 3,033
Future income tax liabilities:		
Fixed assets	6,854	5,160
Accounting income not currently taxable	20,662	15,757
Other	2,378	2,051
Total future income tax liabilities	29,894	22,968
Future income tax liability, net	$ 24,437	$ 19,935
Less current portion of future income tax liabilities	17,793	15,757
Long-term future income tax liabilities	$ 6,644	$ 4,178

Income taxes paid in cash during the year amounted to $9,264 (1999—$12,298).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

12. SEGMENTED DISCLOSURE

The Company evaluates performance based on two reportable segments: Automation Systems and Precision Components. The Automation Systems segment produces custom-engineered turn-key automated manufacturing and test systems. The Precision Components segment is a high volume manufacturer of photovoltaic products, plastic and metal components and sub-assemblies.

The Company accounts for inter-segment sales at current market rates, negotiated between the segments.

YEARS ENDED MARCH 31	2000			1999		
	Automation Systems	Precision Components	Consolidated	Automation Systems	Precision Components	Consolidated
Total revenue for reportable segments	$ 392,296	$139,076	$ 531,372	$ 319,200	$ 220,552	$ 539,752
Inter-segment revenue	(827)	(531)	(1,358)	(24,350)	(134)	(24,484)
Total Company revenue	$ 391,469	$138,545	$ 530,014	$ 294,850	$ 220,418	$ 515,268
Total operating income for reportable segments	$ 60,364	$ 4,595	$ 64,959	$ 58,156	$ 15,781	$ 73,937
Inter-segment operating income			780			(3,546)
Other expenses			(5,538)			(3,927)
Total Company operating income			$ 60,201			$ 66,464
Total assets for reportable segments	$ 346,583	$157,714	$ 504,297	$ 294,237	$ 178,439	$ 472,676
Intangibles not allocated to segments			3,111			3,226
Other Corporate assets not allocated			44,266			23,520
Total Company assets			$ 551,674			$ 499,422
Total acquisition of fixed assets for reportable segments	$ 12,294	$ 14,714	$ 27,008	$ 10,212	$ 56,810	$ 67,022
Inter-segment transfers			(1,665)			(13,191)
Corporate acquisitions and other			49			1,067
Total Company acquisition of fixed assets			$ 25,392			$ 54,898
Total depreciation and amortization of reportable segments	$ 7,158	$ 12,713	$ 19,871	$ 6,350	$ 28,578	$ 34,928
Inter-segment depreciation and amortization			(255)			(9,149)
Corporate depreciation and amortization			1,419			1,265
Total Company depreciation and amortization			$ 21,035			$ 27,044

YEARS ENDED MARCH 31	2000		1999	
	Revenue	Fixed assets and intangibles	Revenue	Fixed assets and intangibles
Canada	$ 49,699	$ 78,097	$ 62,757	$ 75,936
United States	355,701	70,231	269,178	71,386
Europe	86,804	32,173	94,235	30,072
Asia-Pacific	37,810	3,627	89,098	3,888
Total Company revenue	$ 530,014	$ 184,128	$ 515,268	$ 181,282

Geographic segmentation of revenue is determined based on the customer's installation site. Geographic segmentation of fixed assets and intangibles is determined based on the location of the respective operations.

In fiscal 2000, no segment had revenue from one customer which amounted to 10% or more of Company revenue. In fiscal 1999, revenue from one customer of Precision Components segment represented $101,668,000 of Company revenue.

13. COMMITMENTS

The minimum operating lease payments required in each of the next five years are as follows:

2001	$ 8,143
2002	6,216
2003	5,543
2004	3,492
2005	1,914
Thereafter	1,424
	$ 26,732

 (IN THOUSANDS OF CANADIAN DOLLARS EXCEPT PER SHARE DATA AND STATISTICS AND RATIOS)

YEARS ENDED MARCH 31	2000	1999	1998	1997	1996	1995
OPERATING RESULTS						
Revenue:						
Automation Systems	$ 392,296	$ 319,200	$ 323,832	$ 191,319	$ 154,330	$ 109,683
Precision Components	139,076	220,552	93,573	59,199	45,549	33,025
Elimination of inter-group revenue	(1,358)	(24,484)	(14,485)	(716)	(2,952)	(3,854)
Total revenue	530,014	515,268	402,920	249,802	196,927	138,854
Earnings from operations	60,201	66,464	45,984	32,101	22,869	14,307
Operating margin	11.4%	12.9%	11.4%	12.9%	11.6%	10.3%
Net earnings before unusual items	36,703	39,636	27,362	19,597	13,621	7,684
Net earnings	35,745	37,237	27,362	19,597	19,240	7,684
FINANCIAL POSITION						
Working capital	$ 209,780	$ 169,505	$ 147,039	$ 73,770	$ 69,693	$ 37,121
Fixed assets	138,445	136,162	105,352	52,451	36,749	27,510
Other long-term assets	57,647	65,888	65,383	50,224	37,247	38,238
Total assets	551,674	499,422	436,020	241,778	190,639	134,325
Long-term debt	49,396	51,814	44,009	24,420	24,349	25,499
Shareholders' equity	348,136	314,339	268,206	143,066	114,769	71,594
CASH FLOW						
Cash from operations	$ 60,802	$ 64,618	$ 50,659	$ 35,510	$ 18,335	$ 13,576
Net share capital issued	5,005	2,740	95,330	7,975	25,141	16,806
Fixed assets purchased	25,392	54,898	57,393	19,938	14,111	8,672
Net (repayment) issue of long-term debt	(3,475)	7,805	17,037	72	(1,150)	9,027
PER SHARE DATA						
Basic earnings per share before unusual items	$ 0.66	$ 0.72	$ 0.52	$ 0.39	$ 0.30	$ 0.18
Basic earnings per share	0.64	0.67	0.52	0.39	0.42	0.18
Book value per share	6.17	5.66	4.85	2.81	2.51	1.57
Price range–common shares	33.00–10.50	25.95–9.50	30.13–10.20	11.75–9.25	7.00–2.50	3.19–1.69
Basic weighted average shares outstanding (millions)	55.7	55.4	53.0	50.0	45.6	42.6
STATISTICS AND RATIOS						
Current ratio	2.44:1	2.33:1	2.24:1	2.13:1	2.48:1	2.18:1
Long-term debt to equity	0.14:1	0.16:1	0.16:1	0.17:1	0.21:1	0.36:1
Return on average assets	11.5%	14.2%	13.6%	14.9%	14.1%	13.1%
Return on average equity	10.8%	12.8%	13.3%	15.2%	20.6%	13.0%
Number of employees, at March 31	2,932	2,416	2,524	1,491	1,174	952

All numbers have been adjusted to reflect the impact of the November 1996 and November 1997 two-for-one stock splits.

BOARD OF DIRECTORS

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RON J. JUTRAS, CA [4]
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Director
President, Luba Financial Inc.

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Non-Executive Chairman of the Board
Dean, Richard Ivey School of Business, University of Western Ontario

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Director

KLAUS D. WOERNER [4]
Director
President and Chief Executive Officer, ATS

OTHER OFFICERS AND KEY OPERATING MANAGEMENT

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General Manager,
ATS Michigan Sales & Service Inc.

GERRY BOWER
General Manager,
ATS Precision Components, Texas, Inc.

RICHARD CARONE
Vice-President, Accu-Fab Systems, Inc.

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General Manager, Cambridge Systems Division

ROBERT FAULHAMMER
General Manager, Winder Division

CLAUDE FIFIS
General Manager, ATS Automation France

MICHAEL FISHER
Sales/Applications Engineering Manager, Cambridge Systems Division

JOSEPH FOX
Director of Strategic Marketing

CARL GALLOWAY [4]
Corporate Treasurer

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Divisional Manager,
Machine Tool Division

ROD HOLMQUIST
General Manager,
Accu-Fab Systems California, Inc.

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General Manager, Eco-Snow Systems, Inc.

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AnA Mechatronics (S) Pte. Ltd.

SCOTT LINDSAY
Manager, Advanced Engineering

VINCENT MASTROPIETRO
Assistant General Manager,
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KONRAD MEIER
General Manager,
ATS Winding & Assembly Technology

JOSEPH A. MORENO
General Manager,
ATS Ohio, Inc.

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Director of Sales and Marketing

RICHARD REEVES
General Manager, Advanced Systems

BERND RHIEMEIER
General Manager
ATS Automation Tooling Systems GmbH

RUSSELL SCHMIT
Director General, Photowatt International S.A.

SCOTT SCHUHLE
General Manager, ATS Southwest, Inc.

JOHN SCOTT
Director, Quality Assurance

BRUCE SEELEY [4]
Vice-President, Precision Components Group

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General Manager, ATS Carolina, Inc.

JOSEF WILDGRUBER
General Manager, Johann Rettinger GmbH and Richard Hamel GmbH

DREW WILSON
General Manager, ATS Test Systems Inc.

MARILYN WOLFE
Manager, Human Resources

[1] Member of the Audit and Finance Committee
[2] Member of the Human Resources Committee
[3] Member of the Corporate Governance and Nominating Committee
[4] Corporate officer of the Company

SHAREHOLDERS' INFORMATION

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AUDITORS
KPMG LLP

PRINCIPAL BANK
The Bank of Nova Scotia

ANNUAL SHAREHOLDERS' MEETING
Wednesday August 16, 2000
4:00 p.m.
Concordia Club
429 Ottawa Street South
Kitchener, Ontario

INVESTOR RELATIONS
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PRODUCED BY: FUNDAMENTAL COMMUNICATIONS INC. DESIGN: BRYAN MILLS GROUP PRINTED IN CANADA ON RECYCLED PAPER

ATS PROFILE

ATS AUTOMATION TOOLING SYSTEMS INC. IS **THE INDUSTRY'S LEADING DESIGNER AND PRODUCER OF TURN-KEY AUTOMATED MANUFACTURING AND TEST SYSTEMS**, USED PRIMARILY BY MULTINATIONAL CORPORATIONS OPERATING IN A VARIETY OF INDUSTRIES: AUTOMOTIVE, COMPUTER/ELECTRONICS, HEALTHCARE, CONSUMER PRODUCTS AND OTHERS. ATS ALSO ADDS INDUSTRY-LEADING VALUE FOR CUSTOMERS BY APPLYING ITS AUTOMATION TECHNOLOGIES AND PROCESS KNOWLEDGE TO PRODUCE HIGH VOLUME PRECISION COMPONENTS AND SUB-ASSEMBLIES ON AN OUTSOURCED BASIS. ATS EMPLOYS APPROXIMATELY 2,900 PEOPLE AT 24 FACILITIES IN CANADA, THE UNITED STATES, EUROPE AND ASIA-PACIFIC. THE COMPANY'S SHARES ARE TRADED ON THE TORONTO STOCK EXCHANGE UNDER THE SYMBOL ATA. VISIT THE COMPANY'S WEB SITE AT www.atsautomation.com

ATS Automation Tooling Systems

LOCATIONS